SOUTHERNMOST DEVELOPMENT AGENCY (SOC) LTD
(REG NO: 2012/190970/07)

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

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for the year ended 30 June 2014

GENERAL INFORMATION

Country of incorporation and domicile:	South Africa
Nature of business and principal activities:	Stimulate economic growth
Director:	N H Bastiaan P J Swart H D Coetzee J P Jones M Ngxekana
Registered office:	23 Buitekant Street Bredasdorp 7280
Holding Entity:	Cape Agulhas Local Municipality
Bankers:	Not applicable
Auditors:	Auditor General South Africa
Company registration number:	2012/190970/07

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SOUTHERNMOST DEVELOPMENT AGENCY (SOC) LTD
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DIRECTOR'S RESPONSIBILITIES AND APPROVAL

The directors are required by the Companies Act of South Africa, 1973 as amended, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Entity as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with Generally Recognised Accounting Practice (GRAP). The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with Generally Recognised Accounting Practice (GRAP) and the Companies Act of South Africa, 1973 as amended, and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The director acknowledges that he is ultimately responsible for the system of internal financial control established by the Agency and place considerable importance on maintaining a strong control environment. To enable the director to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Agency and all employees are required to maintain the highest ethical standards in ensuring the Agency's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Agency is on identifying, assessing, managing and monitoring all known forms of risk across the Agency. While operating risk cannot be fully eliminated, the Agency endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The director is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The parent entity of the Agency resolved in the prior year to de-register the entity. This process is yet to be finalised.

The external auditors are responsible for independently providing reasonable assurrance by reviewing and reporting on the Agency's annual financial statements. The annual financial statements have been examined by the Agency's external auditors and their report is presented on page 2 and 3.

The annual financial statements set out on pages 6 to 31, which have been prepared on the discontinued basis, were approved by the board and were signed on its behalf by:

Director	**Date**

DIRECTOR'S REPORT
for the year ended 30 June 2014

The director submits his report for the period ended 30 June 2014.

1 Main business and operations

The initial purpose of the entity was to promote economic development in the municipal area. However, the parent entity of the Agency resolved on 28 May 2013 not to further its objective of economic development through this Municipal Entity.

2 Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a discontinued operation.

3 Post balance sheet events

The entity is currently in a winding up phase. All processes to deregister the entity was not completed on 30 June 2014.

4 Authorised and issued share capital

No additional shares were issued or authorised in the current year.

5 Dividends

No dividends were declared or paid to shareholders during the year.

6 Directors

The director of the company during the year and to the date of this report is as follows:

Name	Nationality
N H Bastiaan	RSA
P J Swart	RSA
H D Coetzee	RSA
J P Jones	RSA
M Ngxekana	RSA

7 Holding company

The company's holding entity is Cape Agulhas Local Municipality, that owns 100% of the issued shares.

8 Auditors

Office of the Auditor General will continue in office in accordance with the MFMA.

SOUTHERNMOST DEVELOPMENT AGENCY (SOC) LTD
(REG NO: 2012/190970/07)

STATEMENT OF FINANCIAL POSITION
as at 30 June 2014

	NOTES	2014 R	2013 R
ASSETS			
Non-current assets		-	-
Property, plant and equipment	3	-	-
Intangible Assets	4	-	-
Current assets		45 113	135 260
Assets Held for sale	5	45 113	135 260
Total assets		**45 113**	**135 260**
EQUITY AND LIABILITIES			
Equity		**45 113**	**135 260**
Share Capital	7	100	100
Contribution from owners	8	398 298	377 297
Accumulated deficit		(353 286)	(242 137)
Total equity and liabilities		**45 113**	**135 260**

SOUTHERNMOST DEVELOPMENT AGENCY (SOC) LTD
(REG NO: 2012/190970/07)

STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2014

	NOTES	2014 R	2013 R
DISCONTINUED OPERATIONS			
REVENUE			
Public Contributions and Donations	9	-	41 297
Total revenue		-	41 297
EXPENDITURE			
Remuneration of Directors	10	-	20 873
Depreciation	11	-	5 824
Repairs and Maintenance		-	1 233
General expenses	12	20 959	255 505
Loss on disposal of Assets		90 189	-
Total expenditure		**111 148**	**283 434**
Deficit before taxation		**(111 148)**	**(242 137)**
Taxation	13	-	-
Deficit for the year		**(111 148)**	**(242 137)**

SOUTHERNMOST DEVELOPMENT AGENCY (SOC) LTD
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STATEMENT OF CHANGES IN NET ASSETS
for the year ended 30 June 2014

	Share Capital R	Contributions from owners R	Accumulated deficit R	Total R
Balance at 1 July 2012	-	-	-	-
Contribution from owners	-	377 297	-	**377 297**
Share issue	100	-	-	**100**
Deficit for the year	-	-	(242 137)	**(242 137)**
Balance at 1 July 2013	100	377 297	(242 137)	**135 260**
Contribution from owners	-	21 001	-	**21 001**
Deficit for the year	-	-	(111 148)	**(111 148)**
Balance at 30 June 2014	**100**	**398 298**	**(353 286)**	**45 113**

SOUTHERNMOST DEVELOPMENT AGENCY (SOC) LTD
(REG NO: 2012/190970/07)

STATEMENT OF CASH FLOW
for the year ended 30 June 2014

	NOTES	2014 R	2013 R
Cash flow from operating activities			
Cash used in operations	15	(21 001)	(271 000)
Net cash from operating activities		**(21 001)**	(271 000)
Cash flow from investing activities			
Purchase of property, plant and equipment	3	-	(101 115)
Purchase of intangibe Assets	4	-	(5 282)
Net cash from investing activities		**-**	(106 397)
Cash flows from financing activities			
Contributions from owners		21 001	377 397
Net cash from financing activities		**21 001**	377 397
Total cash movement for the year		-	-
Cash at the beginning of the year		-	-
Total cash at end of the year		-	-

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with section 122(3) of the Municipal Finance Management Act (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

The Entity resolved to early adopt the following GRAP standard which have been issued but are not effective yet.

Standard	Description	Effective Date
GRAP 5 (Revised Feb 2013)	Borrowing Costs	1 April 2014

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are discussed in the notes that follow.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand.

1.3. GOING CONCERN ASSUMPTION

These financial statements have not been prepared on a going concern basis. The entity is in process of being de-registered.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the

correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

1.6. PRESENTATION OF BUDGET INFORMATION

No budget information is provided. The entity resolved in the prior year to de-register the entity. No budget was approved by the entity in the period under review.

1.7. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Entity:

Standard	Description	Effective Date
GRAP 6 **(Revised – Nov 2010)**	**Consolidated and Separate Financial Statements** The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity. No significant impact is expected as the Entity does not have any entities at this stage to be consolidated.	**Unknown**
GRAP 8 **(Revised – Nov 2010)**	**Interest in Joint Ventures** The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities. No significant impact is expected as the Entity is not involved in any joint ventures.	**Unknown**

GRAP 18 **(Original – Feb 2011)**	**Segment Reporting** The objective of this Standard is to establish principles for reporting financial information by segments. No significant impact is expected as the Entity does not have any departments or segments at this stage.	**1 April 2015**
GRAP 20 **(Original – June 2011)**	**Related Party Disclosure** The objective of this Standard is to ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties. No significant impact expected due to the limited number of transactions entered into by the entity.	**Unknown**
GRAP 32 **(Original – Aug 2013)**	**Service Concession Arrangements: Grantor** The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity. No such transactions or events are expected in the foreseeable future.	**Unknown**
GRAP 100 (Revised Feb 2013)	**Discontinued Operations** **(formerly known as Non-current assets held for Sale and Discontinued Operations)** The objective of the standard is to prescribe the treatment of discontinued operations. The entity is currently in process of being de-registered and it is expected that there will be no significant impact when the standard becomes effective.	**1 April 2014**
GRAP 105 **(Original – Nov 2010)**	**Transfer of Functions Between Entities Under Common Control** The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. No significant impact expected as no such transactions or events are expected in the foreseeable future.	**1 April 2015**

GRAP 106 **(Original – Nov 2010)**	**Transfer of Functions Between Entities Not Under Common Control** The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. No significant impact expected as no such transactions or events are expected in the foreseeable future.	**1 April 2015**
GRAP 107 **(Original – Nov 2010)**	**Mergers** The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger. No significant impact expected as no such transactions or events are expected in the foreseeable future.	**1 April 2015**
GRAP 108 **(Original – Sept 2013)**	**Statutory Receivables** The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables. No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.	**Unknown**
IGRAP 11	**Consolidation - Special Purpose Entities (SPE)** The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE. No significant impact is expected as the Entity does not have any SPE's at this stage.	**Unknown**
IGRAP 12	**Jointly Controlled Entities non-monetary contributions** The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE). No significant impact is expected as the Entity does not have any JCE's at this stage.	**Unknown**

These standards, amendments and interpretations will not have a significant impact on the Entity once implemented.

1.8. PROPERTY, PLANT AND EQUIPMENT

1.8.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Entity. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired are initially measured at fair value (the cost). It the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Entity expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.8.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Entity replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

1.8.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

Other Assets	Years
Office equipment	3 – 18
Computer equipment	3 – 5

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.8.4 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.9. INTANGIBLE ASSETS

1.9.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the Entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Entity intends to do so; or

- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Entity or from other rights and obligations.

The Entity recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Entity and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Entity intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Entity has the resources to complete the project;
- it is probable that the Entity will receive future economic benefits or service potential; and
- the Entity can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.9.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.9.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

Intangible Assets	Years
Computer Software	5

1.9.4 De-recognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.10. NON-CURRENT ASSETS HELD FOR SALE

1.10.1 Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.10.2 Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in the Statement of Financial Performance.

1.11. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.11.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Entity assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Entity estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Entity considers the following indications:

(a) External sources of information
- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the Entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Entity operates or in the market to which an asset is dedicated.
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information
- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be

used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.

- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Entity estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.12. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position consist only from receivables from exchange transactions.

1.12.1 Initial Recognition

Financial instruments are initially recognised when the Entity becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar

charges usually obtained in an open market transaction, adjusted for the specific risks of the Entity, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

1.12.2 Subsequent Measurement

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.12.2.1 Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Entity. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.12.3 De-recognition of Financial Instruments

1.12.3.1 *Financial Assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Entity has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Entity has transferred substantially all the risks and rewards of the asset, or (b) the Entity has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Entity has transferred its rights to receive cash flows from an asset or has entered into a 'pass-through' arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Entity's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Entity could be required to repay.

When continuing involvement takes the form of a written agreement and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Entity's continuing involvement is the amount of the transferred asset that the Entity may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.13. CONTRIBUTIONS FROM OWNERS

Ordinary shares are classified as Contributions from owners.

If the Entity reacquires its own equity instruments, the consideration paid, including any directly attributable incremental costs (net of income taxes) on those instruments are deducted from equity until the shares are cancelled or reissued. No gain or loss is recognised in surplus/deficit on the purchase, sale, issue or cancellation of the Entity's own equity instruments. Consideration paid or received shall be recognised directly in equity.

1.14. REVENUE

1.14.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Entity received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the

extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Entity.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, the Entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.15. RELATED PARTIES

The Entity resolved to adopt the disclosure requirements as per GRAP 20 – "Related Party Disclosures".

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Entity:

(a) A person or a close member of that person's family is related to the Entity if that person:
  - has control or joint control over the Entity;
  - has significant influence over the Entity. Significant influence is the power to participate in the financial and operating policy decisions of the Entity;
  - is a member of the management of the Entity or its controlling entity.

(b) An entity is related to the Entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);

- both entities are joint ventures of the same third party;
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- the entity is a post-employment benefit plan for the benefit of employees of either the Entity or an entity related to the Entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
- the entity is controlled or jointly controlled by a person identified in (a);
- a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Entity. A person is considered to be a close member of the family of another person if they:

(a) are married or live together in a relationship similar to a marriage; or
(b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Entity, including:

(a) all members of the governing body of the Entity;
(b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Entity;
(c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Entity; and
(d) the senior management team of the Entity, including the Chief Executive Officer or permanent head of the Entity, unless already included in (a).

Management personnel include:

(a) All directors or members of the governing body of the Entity, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
(b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Entity being the Chief Executive Officer.

Remuneration of management includes remuneration derived for services provided to the Entity in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Entity for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Entity.

The Entity operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.16. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, entity or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.17. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act (Act. No. 20 of 1998) or is in contravention of the Entity's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.18. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.19. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to meet the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Entity does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

1.20. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Entity's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

1.20.1 Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.

1.20.2 Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Management referred to the following when making assumptions regarding useful lives of intangible assets:

- Reference was made to intangibles used within the Entity and other municipal entities to determine the useful life of the assets.

1.20.3 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

1.20.4 Revenue Recognition

Accounting Policy 1.14.1 on Revenue from Non-Exchange Transactions describes the conditions under which revenue will be recognised by management of the Entity.

1.21. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.22. EVENTS AFTER THE REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Entity discloses the nature and an estimate of the financial effect.

1.23. TAXATION

1.23.1 Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

1.23.2 Deferred tax assets and liabilities

Deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

1.23.3 Tax expenses

Current and deferred taxes are recognised as income or an expense and included in surplus/deficit for the period.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

2 Financial risk management

2.1 Market Risk

The Agency's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Agency's financial performance. The following risks could have a potential impact on the Agency:

Foreign currency risk

The Agency does not engage in foreign currency transactions.

Price risk

The Agency is not exposed to equity securities price risk.

Interest rate risk

The Agency is not exposed to any interest rate risks.

Credit risk

The Agency is not currently exposed to any credit risk.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and loans, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Agency treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The Agency's risk to liquidity is a result of the funds available to cover future commitments. In the case of the Agency, these costs will only include the costs to de-register the entity.

2.2 Capital risk management

Capital is managed on a consolidated basis which groups the Agency and the holding entity. Additional capital is available in the form of shareholders loans should circumstances require it or business opportunities arise. Within the Economic Entity, Cape Agulhas Local Municipality has the responsibility to manage capital in order for the group to maintain the optimal capital structure.

For the purposes of capital risk management, the following is regarded as capital of the entity.

	2014 R	2013 R
Share capital	100	100
Contribution from owners	21 001	377 297
	21 101	377 397

3 Property, plant and equipment

	Computer Equipment R	Office Equipment R	Total R
2014			
Balance at beginning of year	-	-	-
Balance at end of year	-	-	-
Cost	-	-	-
Accumulated depreciation	-	-	-
2013			
Balance at beginning of year	-	-	-
Cost	-	-	-
Accumulated depreciation	-	-	-
Additions - Transfer from Knysna Economic Development Agency (KEDA)	-	41 297	41 297
Balance previously reported	5 326	41 297	46 623
Correction of error - Refer to note 14	(5 326)	-	(5 326)
Additions - Transferred from Cape Agulhas Local Municipality	5 445	54 373	59 818
Depreciation	(719)	(4 381)	(5 100)
Balance previously reported	(846)	(4 381)	(5 227)
Correction of error - Refer to note 14	126	-	126
Transfer to assets held for sale	(4 726)	(91 289)	(96 014)
Balance previously reported	(9 925)	(91 289)	(101 213)
Correction of error - Refer to note 14	5 199	-	5 199
Balance at end of year	-	-	-
Cost	-	-	-
Accumulated depreciation	-	-	-

There were none of the following at year-end:
- fully depreciated assets still in use;
- assets pledged as security; or
- assets subject to impairment.

	2013 R
Statement of Financial Performance	
Balance Previously Reported	(236 938)
Correction of Computer Equipment incorrectly included in Asset Register	(5 199)
Effect on Public contributions and Donations	(5 326)
Effect on Depreciation for 2012/2013	126
	(242 137)

Computer Equipment incorrectly included in Asset Register. These assets were never received from Knysna Development Agency on 2 May 2013. The effect of this adjustment is disclosed above.

15 Cash generated from (used in) operations

	2014 R	2013 R
Deficit before taxation	(111 148)	(242 137)
Adjustments for:		
Depreciation	-	5 824
Loss on disposal of assets	90 189	-
Changes in working capital		
Increase in Taxes	(42)	(34 587)
Other Receivables from Exchange Transactions	-	(100)
	(21 001)	(271 000)

16 Budget Comparison

No budget was prepared for the 2013/2014 financial year as the Agency is in process of being de-registered.

	2014 R	2013 R

17 Unauthorised, irregular, fruitless and wasteful expenditure disallowed

13.1 Unauthorised expenditure

All expenditure incurred in the current year is deemed to be unauthorised due to the lack of an approved budget.

	2014 R	2013 R
Opening Balance	**283 434**	-
Unauthorised expenditure incurred	**111 148**	283 434
Unauthorised expenditure awaiting condonement	**394 583**	283 434

13.2 Fruitless and wasteful expenditure

No fruitless and wasteful expenditure was incurred in the current year.

13.3 Irregular expenditure

No Irregular expenditure was incurred in the current year.

18 Additional disclosure in terms of Municipal Finance Management Act (MFMA)

No monies were paid with regards to entities as prescribed in section 125(1)(b) and section 125(1)(c) of the MFMA.

19 Events after reporting date

The parent municipality resolved to de-register the entity on 28 May 2013. This process was not completed on 30 June 2014 and it is expected to be finalised after year-end.

20 Contingent liabilities

The Agency has no contingent liabilities for the financial period ended 30 June 2014.

21 Related parties

There were no related parties transactions in the current year, except for contributions from owners.